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Office of Current Intelligence**CENTRAL INTELLIGENCE AGENCY**

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DIA and DOS review(s) completed.

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SOVIET UNION

1. Comment on Soviet note of 26 November:

The Soviet proposal for a four-power conference is a modification of Moscow's previous position that a five-power conference on the reduction of international tensions must precede any four-power discussions. There is no suggestion, however, that the USSR has changed its basic position on the German and Austrian treaties, and it is probably not prepared to discuss the substance of these questions now.

The Soviet leaders were evidently motivated by the unfavorable reaction in Western countries to the negative Soviet stand of 3 November, and their note was also timed to affect the French parliamentary vote on foreign policy and the forthcoming Bermuda meeting.

The Kremlin apparently believes that the proposed four-power conference should determine the agenda and composition of a subsequent foreign ministers' meeting. It serves notice that it will propose that this subsequent meeting include Communist China. The Soviet leaders will attempt to use a foreign ministers' debate on the agenda to repeat the arguments of recent notes and to propagandize on such subjects as EDC, military bases, and disarmament.

The note alleges that the Kremlin is prepared to cooperate in "assuring European security by means of appropriate agreement between all countries of Europe independent of their social structure." This is inconsistent with Soviet propaganda ridiculing any form of East-West security agreement, and it is unlikely that the USSR would actually agree to any of the security arrangements that have been suggested in the West.

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SOUTHEAST ASIA

2. French now expect main Viet Minh effort against northwest Tonkin:

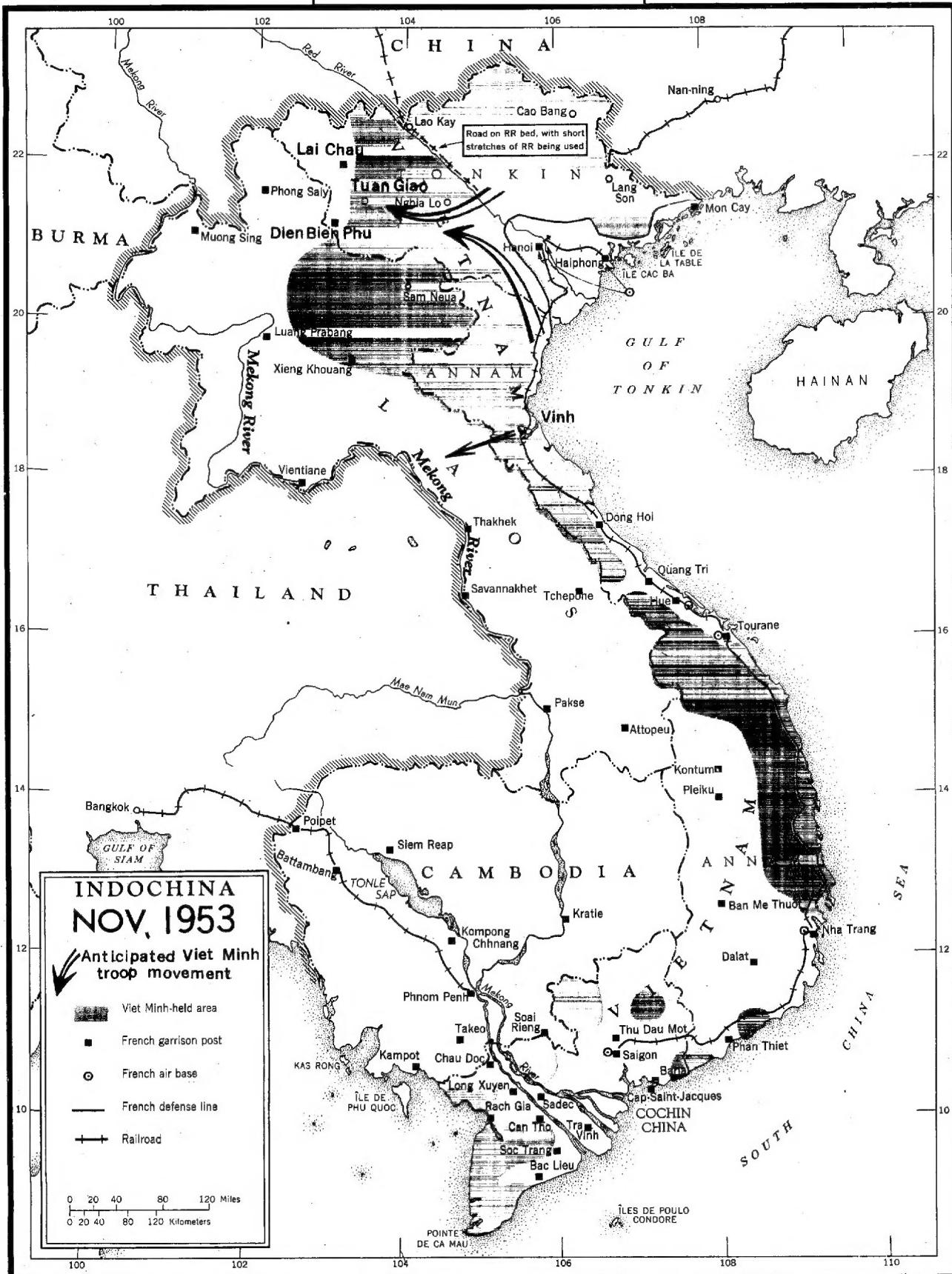
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[redacted] the main Viet Minh effort will be against Lai Chau, 200 miles northwest of Hanoi, rather than the delta (see map, p. 4). The French expect a secondary effort into Laos

opposite Vinh, designed to cut their communications between upper and lower Laos.

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The Lai Chau operation will be undertaken by the bulk of three divisions, the 316th, 308th and 304th, plus the 148th Regiment and regional forces. Advance units of this force are expected to assemble at Tuan Giao on 10 December. The thrust into Laos will be made by the 325th Division and one regiment of the 304th Division.

The American army attache comments that such a plan would be realistic from the Viet Minh viewpoint since its success would severely damage French prestige among the Thai minority, whose capital is Lai Chau, and deny the French an important base for the guerrilla operations which are now gaining momentum. He points out, however, that the recent seizure by the French of Dien Bien Phu, some 50 miles south of Lai Chau, should disrupt the Viet Minh timetable.

3. Bao Dai insists on revision of French Union:

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Bao Dai told Ambassador Heath on 24 November that he was content to await some sign that the French intend to liberalize the French Union structure, or at least to make

some gesture in that direction, before resuming negotiations with them. He insisted that the Vietnamese people are unwilling to be members of any French Union which implies inequality or French overlordship.

Bao Dai was convinced that any succeeding French government would be no more difficult to deal with than the present one, and was "not much worried" by French statements about negotiating with the Viet Minh.

Comment: Bao Dai's policy of "patience" is gradually meeting with success, from the Vietnamese standpoint, and it is unlikely that he can be persuaded to abandon it.

SOUTH ASIA

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4. Chinese troop movements reportedly under way in Tibet:

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Chinese troop movements have been taking place in Tibet since the last week of October.

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Over half of the Chinese garrison in Lhasa, as well as some other troops, have been shifted toward the Indian frontier opposite Assam. Troops from posts on the eastern Nepalese border have been transferred to positions near Rudok in northwestern Tibet near Kashmir.

Comment: The troops reportedly involved in these movements are too few to be employed for an invasion of either Assam or Kashmir, and in any case there is no evidence of Chinese Communist preparations for a new military venture at this time.

There have been indications since last spring that southern Tibet would suffer a severe food shortage this winter. It is possible that Chinese troops in the area are being moved east toward Sikang and northwest toward Sinkiang to alleviate the food supply problem.

NEAR EAST - AFRICA

5. British views on role of Iranian armed forces:

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The British Foreign Office believes that the Iranian army should be organized to fulfill two primary functions. One compact group would be trained and equipped for mountain and guerrilla warfare and stationed in northwest Iran near the Soviet frontier. A second force stationed elsewhere in Iran would be used chiefly for internal security.

Comment: The shah has urged an early decision by the United States and Britain on the future role of the Iranian armed forces.

He has expressed a desire for medium and heavy equipment which would enable his army to fight a delaying action against any Soviet invasion.

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EASTERN EUROPE**6. Yugoslavia offers Greece full use of Vardar Valley in war:**

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Greek officials are elated over Yugoslavia's proposal to give Greece details of all its fortifications and demolition plans for southwest Yugoslavia and to allow the Greek army freedom in that area in the event of Soviet aggression. Yugoslavia made its proposal following the submission of a relatively modest Greek plan calling for permission for a single Greek division to operate in the highly strategic Vardar River Gap area.

Comment: The breadth of this proposal is striking evidence of Belgrade's interest in strengthening the Balkan pact as an effective organ for the defense of the area. Belgrade's cooperative attitude may also have been intended to influence decisions on Trieste by demonstrating to the Western powers the potential value of Yugoslavia to Mediterranean defense planning.

WESTERN EUROPE**7. Assembly vote leaves French government without clear mandate:**

The French National Assembly's 275-241 vote in favor of Premier Laniel's foreign policy resolution gave him only a technical victory, since he had threatened earlier to resign unless he got a clear majority of the 627 deputies. His decision to remain in office probably was influenced by his candidacy in the presidential election scheduled for 17 December as well as by his desire to avoid precipitating a government crisis on the eve of the Bermuda conference.

On 26 November, a Foreign Ministry spokesman had told American minister Achilles that if the government fell, there would probably not be a serious effort to form a new cabinet before the presidential election, and that even if the assembly were dissolved, its successor would differ little from the present one. The official added that the prospect of Bermuda had become a nightmare for the French, who at best would be there in an impotent and humiliating position.

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In putting the resolution, the government blundered by permitting extraneous political considerations to split the pro-EDC forces which had enough votes to carry a satisfactory resolution. While this vote does not kill the EDC's chances in France, it encourages opposition forces to press their advantage when the issue is finally decided next year. The Soviet attitude may then be the determining factor.

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8. Bidault surprisingly optimistic on Saar settlement:

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Foreign Minister Bidault told the American embassy in Paris that as a result of the final talk between Chancellor Adenauer and High Commissioner Francois-Poncet, he is optimistic of a settlement of the Saar question. He hopes to reach a broad agreement at The Hague, with the details to be worked out by experts.

Bidault said that agreement on important political items was reached during the preliminary talks, and that the French realize they must give Adenauer "something politically acceptable" to overcome the major remaining economic obstacle. He believes this could be done on the basis of specific commodity quotas for Saar-German trade.

Comment: This is the most optimistic evaluation yet made of the progress achieved during the preliminary talks. It may be overly so, in view of the long history of difficulties in the past.

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